

Message Text

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ACTION ARA-14

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INFO AMEMBASSY BRASILIA
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E O 11652: N/A
TAGS: EAGR, ETRD, MX
SUBJECT: ARREST OF DIRECTOR GENERAL INMECAFE

1. SUMMARY. FIVE HIGH OFFICIALS OF MEXICAN COFFEE INSTITUTE ARRESTED FOR ALLEGED INVOLVEMENT IN MULTIMILLION DOLLAR CONTRABAND COFFEE TRADE. END SUMMARY.

2. CONTACTS WITH PRIVATE SECTOR SOURCE CONFIRM PRESS REPORTS THAT FAUSTO CANTU PENA, DIRECTOR GENERAL OF THE MEXICAN COFFEE INSTITUTE (INMECAFE) AND FOUR OTHER INMECAFE OFFICIALS HAVE BEEN PLACED UNDER ARREST FOR ALLEGED INVOLVEMENT WITH CONTRABAND IN COFFEE. OTHERS REPORTEDLY ARRESTED INCLUDE DANIEL MORALES ALANIS, MANUEL ALVERDI CARMONA, IRAN HILARIA HERNANDEZ, AND ERWIN MENDOZA MORELOS. THE GROUP IS ACCUSED OF DEALING IN CONTRABAND,
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FISCAL EVASION, AND FALSIFICATION OF DOCUMENTS COVERING SOME 300,000 BAGS OF COFFEE VALUED AT OVER 67 MILLION DOLLARS DURING THE PERIOD SEPTEMBER 1976 TO APRIL 1977. THE ATTORNEY GENERAL'S OFFICE REPORTS THAT MORE ARRESTS WILL BE MADE IN THE NEAR FUTURE.

3. AN ARTICLE IN TODAY'S EXCELSIOR ATTRIBUTES DETENTION

OF CANTU PENA AND OTHERS TO RESULTS OF AN ONGOING INVESTIGATION BY THE ATTORNEY GENERAL'S OFFICE IN CONJUNCTION WITH AN AUDIT BY THE FISCAL DIVISION OF TREASURY SECRETARIAT FOR CHARGES OF FRAUD AND MISUSE OF GOVERNMENT FUNDS WITHIN INMECAFE. ARTICLE STATES THAT ARREST WAS CONDUCTED BY HEAD OF FEDERAL JUDICIAL POLICE WHICH, UPON APPREHENSION OF GROUP IN ACAPULCO, FLEW THEM TO MEXICO CITY TO ANSWER CHARGES AT THE ATTORNEY GENERAL'S OFFICE. REFERENCE WAS MADE TO COOPERATION RECEIVED FROM THE U. S. CUSTOMS SERVICE WITH REGARD TO EXPORT DATA DOCUMENTATION.

4. IN PRIVATE MEETING WITH ASST. AGATT ONE SOURCE REPORTED THAT ARREST OF THE GROUP CAME AS NO SURPRISE TO PRIVATE EXPORTERS. ACCORDING TO CONTACT, CANTU PENA AND OTHERS COULD BE EASILY FOUND GUILTY OF ARBITRARY DISTRIBUTION OF EXPORT LICENSES AND THEREBY COULD BE HELD LIABLE FOR NEGLIGENCE AND POSSIBLE INVOLVEMENT IN NUMEROUS CONTRABAND SHIPMENTS MADE DURING THE 1976-77 COFFEE YEAR. IT IS KNOWN THAT MANY IN THE PRIVATE SECTOR HAVE BEEN CRITICAL OF INMECAFE FOR ITS POLICY OF WITHHOLDING EXPORTS IN AN ATTEMPT TO FORCE UP THE PRICE. THEY NOTE THAT MOST EXPERTS DON'T FORESEE A SIGNIFICANT PRICE RISE AND THAT THEY ARE LOSING MONEY BY NOT EXPORTING. THERE HAD ALSO BEEN RUMORS THAT LARGE AMOUNTS OF COFFEE HAD BEEN LEAVING THE COUNTRY WITH THE KNOWLEDGE OF INMECAFE; THE RECENT EVENTS WOULD APPEAR TO BEAR OUT THESE CHARGES.

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5. COMMENT: INMECAFE OFFICIALS HAVE BEEN VERY VOCAL IN THEIR CRITICISM OF USDA COFFEE STATISTICS, CLAIMING THAT THE ESTIMATES OF PRODUCTION WERE OVERSTATED IN AN ATTEMPT TO FORCE DOWN PRICES. IT NOW SEEMS LIKELY THAT THE INSTITUTE'S RECENT LOW ESTIMATES WERE ATTEMPTS TO COVER THE CONTRABAND TRADE SO THAT THEY WOULD NOT HAVE TO ACCOUNT FOR THE MISSING PRODUCTION. LUCEY

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